

**REPORT OF THE AUDIT OF THE
HARRISON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
HARRISON COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions on the governmental activities and each major fund of Harrison County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$12,777,623 as of June 30, 2010. The fiscal court had unrestricted net assets of \$1,854,828 in its governmental activities as of June 30, 2010. The fiscal court had total debt principal as of June 30, 2010 of \$4,535,939 with \$293,106 due within the next year.

Deposits:

Fiscal court deposits were exposed to custodial credit risk because the bank did not adequately collateralize fiscal court's deposits in accordance with the security agreement as follows:

- Uncollateralized and Uninsured as of August 31, 2009 - \$235,001

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Alexander Barnett, Harrison County Judge/Executive

Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Harrison County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Harrison County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Harrison County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harrison County, Kentucky, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Alexander Barnett, Harrison County Judge/Executive
Members of the Harrison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2011 on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 21, 2011

HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Alexander Barnett	County Judge/Executive
Deborah Lemons	Magistrate
Stephen Moses	Magistrate
Brad Marshall	Magistrate
Jerry Dawson	Magistrate
Jeff Brunker	Magistrate
William Fritz	Magistrate
Dwayne Florence	Magistrate
Bradley Copes	Magistrate

Other Elected Officials:

Bradley Vaughn	County Attorney
Willard L. Turner	Jailer
Linda Furnish	County Clerk
Kathy Kearns	Circuit Court Clerk
Bruce Hampton	Sheriff
Carla Harney	Property Valuation Administrator
Tom Ware	Coroner

Appointed Personnel:

Candida Lewis	County Treasurer
Judy A. Smith	Finance Officer
Melody McClure	Occupational Tax Collector

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HARRISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

HARRISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,854,828
Notes Receivable	18,106
Total Current Assets	<u>1,872,934</u>
Noncurrent Assets:	
Notes Receivable	41,863
Capital Assets - Net of Accumulated Depreciation	
Land	488,500
Construction In Progress	247,421
Buildings and Improvements	5,531,681
Land Improvements	96,413
Other Equipment	519,145
Vehicles and Equipment	500,393
Infrastructure	8,015,212
Total Noncurrent Assets	<u>15,440,628</u>
Total Assets	<u>17,313,562</u>
LIABILITIES	
Current Liabilities:	
Bonds Payable	275,000
Financing Obligations Payable	18,106
Total Current Liabilities	<u>293,106</u>
Noncurrent Liabilities:	
Bonds Payable	3,995,000
Financing Obligations Payable	247,833
Total Noncurrent Liabilities	<u>4,242,833</u>
Total Liabilities	<u>4,535,939</u>
NET ASSETS	
Invested in Capital Assets,	
Net of Related Debt	10,922,795
Unrestricted	1,854,828
Total Net Assets	<u><u>\$ 12,777,623</u></u>

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

HARRISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government
Primary Government:				
Governmental Activities:				
General Government	\$ 1,989,256	\$ 11,412	\$ 361,979	\$ (1,615,865)
Protection to Persons and Property	1,439,609	5,252	192,282	(1,242,075)
General Health and Sanitation	343,113	24,342		(318,771)
Social Services	86,635			(86,635)
Recreation and Culture	123,818			(123,818)
Roads	1,923,155	33,685	1,163,606	(725,864)
Airports	10,000			(10,000)
Bus Service	9,718			(9,718)
Other Transportation Facilities and Services	3,000			(3,000)
Interest on Long-Term Debt	217,677			(217,677)
Capital Projects	195,306			(195,306)
Total Governmental Activities	<u>\$ 6,341,287</u>	<u>\$ 74,691</u>	<u>\$ 1,717,867</u>	<u>(4,548,729)</u>
General Revenues:				
Taxes:				
				705,918
				54,221
				137,802
				2,263,563
				375,589
				153,769
				39,149
				407,609
				33,498
				838,206
				<u>5,009,324</u>
				460,595
				<u>12,317,028</u>
				<u>\$ 12,777,623</u>

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Federal Grants Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,239,934	\$ 198,345	\$ 18,083	\$	\$ 22,193
Total Assets	<u>1,239,934</u>	<u>198,345</u>	<u>18,083</u>	<u></u>	<u>22,193</u>
FUND BALANCES					
Reserved for:					
Encumbrances	27,537	1,547	438		
Unreserved:					
General Fund	1,212,397				
Special Revenue Funds		196,798	17,645		22,193
Debt Service Fund					
Total Fund Balances	<u>\$ 1,239,934</u>	<u>\$ 198,345</u>	<u>\$ 18,083</u>	<u>\$</u>	<u>\$ 22,193</u>

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

E-911 Fund	Shropshire Fund	Public Properties Corporation Fund	Total Governmental Funds
\$ 127,765	\$ 232,297	\$ 16,211	\$ 1,854,828
<u>127,765</u>	<u>232,297</u>	<u>16,211</u>	<u>1,854,828</u>
529	360		30,411
			1,212,397
127,236	231,937		595,809
		16,211	16,211
<u>\$ 127,765</u>	<u>\$ 232,297</u>	<u>\$ 16,211</u>	<u>\$ 1,854,828</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,854,828
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	
Notes Receivable - Amount Due from Sub-lessee, However Paid Directly to Lessor by Sub-lessee, Therefore Not Available as Funds to the County and Not an Asset in the Governmental Funds.	59,969
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	28,624,926
Accumulated Depreciation	(13,226,161)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(265,939)
Bonds	(4,270,000)
Net Assets Of Governmental Activities	<u>\$ 12,777,623</u>

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,690,862	\$	\$	\$
In Lieu Tax Payments	3,298			
Excess Fees	39,149			
Licenses and Permits	11,412			
Intergovernmental	372,267	1,163,606	99,309	
Charges for Services			2,252	
Miscellaneous	103,819	229,747	2,667	
Interest	24,742	1,748		
Total Revenues	<u>4,245,549</u>	<u>1,395,101</u>	<u>104,228</u>	
EXPENDITURES				
General Government	1,458,757			
Protection to Persons and Property	285,467		485,363	
General Health and Sanitation	296,362			
Social Services	86,635			
Recreation and Culture	183,866			
Roads		1,970,349		
Airports	10,000			
Bus Service	9,718			
Other Transportation Facilities and Services	3,000			
Debt Service:				
Principal	17,513			
Interest		7,939		
Capital Projects	76,556	118,750		
Administration	623,648	276,633	37,092	
Total Expenditures	<u>3,051,522</u>	<u>2,373,671</u>	<u>522,455</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,194,027</u>	<u>(978,570)</u>	<u>(418,227)</u>	
Other Financing Sources (Uses)				
Transfers From Other Funds	188,648	1,291,283	422,000	
Transfers To Other Funds	(1,720,763)	(165,901)		(16)
Total Other Financing Sources (Uses)	<u>(1,532,115)</u>	<u>1,125,382</u>	<u>422,000</u>	<u>(16)</u>
Net Change in Fund Balances	(338,088)	146,812	3,773	(16)
Fund Balances - Beginning	1,578,022	51,533	14,310	16
Fund Balances - Ending	<u>\$ 1,239,934</u>	<u>\$ 198,345</u>	<u>\$ 18,083</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Federal Grants Fund	E-911 Fund	Shropshire Fund	Public Properties Corporation Fund	Total Governmental Funds
\$	\$ 283,240	\$	\$	\$ 3,974,102
				3,298
				39,149
		2,670		14,082
95,973	124,369		471,238	2,326,762
		24,342		26,594
	46,742	1,422		384,397
	1,598	5,377	33	33,498
<u>95,973</u>	<u>455,949</u>	<u>33,811</u>	<u>471,271</u>	<u>6,801,882</u>
				1,458,757
27,842	555,324			1,353,996
		45,216		341,578
				86,635
				183,866
				1,970,349
				10,000
				9,718
				3,000
			260,000	277,513
			209,738	217,677
				195,306
			1,500	938,873
<u>27,842</u>	<u>555,324</u>	<u>45,216</u>	<u>471,238</u>	<u>7,047,268</u>
<u>68,131</u>	<u>(99,375)</u>	<u>(11,405)</u>	<u>33</u>	<u>(245,386)</u>
27,321	45,742	6,012		1,981,006
<u>(94,326)</u>				<u>(1,981,006)</u>
<u>(67,005)</u>	<u>45,742</u>	<u>6,012</u>		
1,126	(53,633)	(5,393)	33	(245,386)
21,067	181,398	237,690	16,178	2,100,214
<u>\$ 22,193</u>	<u>\$ 127,765</u>	<u>\$ 232,297</u>	<u>\$ 16,211</u>	<u>\$ 1,854,828</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

HARRISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (245,386)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Contribution from the Community Action Council for On-behalf Payment Made to Reduce Debt Incurred by The County for The Community Service Building Renovation and also Reduces the Note Receivable Recorded in the Governmental Activities.	(13,269)
Contribution from the Senior Citizens Center for On-behalf Payment Made to Reduce Debt Incurred by The County for The Senior Citizens Center Vehicle and also Reduces the Note Receivable Recorded in the Governmental Activities.	(4,244)
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,729,823
Depreciation Expense	(1,066,348)
Assets disposed of, net book value	(9,134)
Sale of Assets Held for Resale	(208,360)
The Issuance of Long-term Debt Provides Current Financial Resources to Governmental Funds While the Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligations Principal Payments	17,513
Bond Principal Payment	<u>260,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 460,595</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Harrison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Unit

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Harrison County Public Properties Corporation:

The Harrison County Public Properties Corporation cannot be sued in its own name without recourse to the Harrison County Fiscal Court, who appoints a voting majority consisting of the Fiscal Court members and the County Attorney. The Fiscal Court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the county.

C. Harrison County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Harrison County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for revenues and expenditures under the Local Government Economic Assistance Program.

Federal Grants Fund - The purpose of this fund is to account for federal grant funds received and expended.

E-911 Fund - The purpose of this fund is to account for revenues and expenditures of the E-911.

Shropshire Fund - The purpose of this fund is to account for the revenues and expenditures of the Shropshire Animal Shelter.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Public Properties Corporation Fund - This fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a justice center. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government designated all its funds as major funds; therefore there are no non-major funds.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, E-911 Fund, and Shropshire Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

G. Long-term Obligations

In the government-wide financial statements long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted, nor are they required by the State Local Finance Office for the Public Properties Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of Harrison County Fiscal Court: Cynthiana/Harrison County Public Properties Corporation, Cynthiana/Harrison County Industrial Authority, and Cynthiana/Berry/Harrison County E-911.

Note 2. Deposits and Investments

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2009 public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement as follows:

- Uncollateralized and Uninsured as of August 31, 2009 - \$235,001

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 488,500	\$	\$	\$ 488,500
Construction In Progress		247,421		247,421
Total Capital Assets Not Being Depreciated	488,500	247,421		735,921
Capital Assets, Being Depreciated:				
Buildings	6,349,095	67,808		6,416,903
Land Improvements	115,691	10,000		125,691
Other Equipment	1,077,411	27,321	(5,196)	1,099,536
Vehicles and Equipment	1,642,568		(27,792)	1,614,776
Infrastructure	17,254,826	1,377,273		18,632,099
Total Capital Assets Being Depreciated	26,439,591	1,482,402	(32,988)	27,889,005
Less Accumulated Depreciation For:				
Buildings	(790,028)	(95,194)		(885,222)
Land Improvements	(21,316)	(7,962)		(29,278)
Other Equipment	(518,663)	(62,507)	779	(580,391)
Vehicles and Equipment	(1,029,703)	(107,755)	23,075	(1,114,383)
Infrastructure	(9,823,957)	(792,930)		(10,616,887)
Total Accumulated Depreciation	(12,183,667)	(1,066,348)	23,854	(13,226,161)
Total Capital Assets, Being Depreciated, Net	14,255,924	416,054	(9,134)	14,662,844
Governmental Activities Capital Assets, Net	\$ 14,744,424	\$ 663,475	\$ (9,134)	\$ 15,398,765

Depreciation was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 109,653
Protection to Persons and Property	75,842
General Health and Sanitation	1,535
Recreation and Culture	17,760
Roads, Including Depreciation of General Infrastructure Assets	861,558
Total Depreciation Expense - Governmental Activities	<u>\$ 1,066,348</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long Term Debt

A. First Mortgage Revenue Bonds, Series 2001

On February 7, 2001, the Harrison County Public Properties Corporation issued \$6,075,000 in First Mortgage Revenue Bonds, Series 2001, for the purpose of constructing a Justice Center. The bond issue covers a twenty-year period with an annual principal payment due each March 1, beginning March 1, 2003. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2001. The County subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$4,270,000 as of June 30, 2010.

Fiscal Year Ending June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 275,000	\$ 198,687
2012	285,000	186,725
2013	300,000	174,185
2014	315,000	160,835
2015	335,000	146,502
2016-2020	1,880,000	483,137
2021-2022	880,000	63,175
Totals	<u>\$ 4,270,000</u>	<u>\$ 1,413,246</u>

B. Financing Obligations, Capital Lease (Community Service Building Renovation), and Note Receivable

On December 17, 2002, the County entered into a ten-year lease agreement with Kentucky Association of Counties Leasing Trust, in the amount of \$127,396, for the renovation of the Community Service Building. The lease agreement calls for yearly principal payments due in January of each year starting in January 2004 and monthly interest payments starting in February 2003. The County subsequently entered into a sub-lease agreement with the Community Action Council for Lexington-Fayette, Harrison, and Nicholas Counties, Inc., which pays the lease payments directly to Kentucky Association of Counties Leasing Trust. The total lease principal balance outstanding was \$42,244 as of June 30, 2010. The total note receivable balance due the county as of June 30, 2010, was also \$42,244.

Fiscal Year Ending June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 13,667	\$ 1,603
2012	14,077	996
2013	14,500	371
Totals	<u>\$ 42,244</u>	<u>\$ 2,970</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt (Continued)

C. Financing Obligations, Capital Lease (Senior Citizens Center Vehicle), and Note Receivable

On April 7, 2009, Harrison County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT), in the amount of \$23,000, for the purchase of a vehicle for the Harrison County Senior Citizens Center. The agreement requires monthly payments of varying amounts with an interest rate of 3.00%. The Senior Citizens Center is currently making the monthly payments to KACoLT. The lease is to be paid in full on March 20, 2014.

Fiscal Year Ending June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 4,439	\$ 861
2012	4,642	\$ 673
2013	4,856	476
2014	3,788	222
Totals	<u>\$ 17,725</u>	<u>\$ 2,232</u>

D. Financing Obligations, Mack Trucks

On November 24, 2008, Harrison County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT), in the amount of \$208,360, for the purchase of two (2) Mack Trucks. A principal reduction payment of \$2,390 in December 2008 reduced the outstanding principal on the agreement, as of June 30, 2009, to \$205,970. The agreement requires monthly interest payments of varying amounts at the rate of 3.795%, with principal payments due November 20, 2011 and November 20, 2012, in the amounts of \$100,000 and \$105,970, respectively. The lease is to be paid in full on November 20, 2012.

Fiscal Year Ending June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$	\$ 8,592
2012	100,000	6,241
2013	105,970	1,903
Totals	<u>\$ 205,970</u>	<u>\$ 16,736</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,530,000	\$	\$ 260,000	\$ 4,270,000	\$ 275,000
Financing Obligations	283,452		17,513	265,939	18,106
Governmental Activities					
Long-term Liabilities	<u>\$ 4,813,452</u>	<u>\$</u>	<u>\$ 277,513</u>	<u>\$ 4,535,939</u>	<u>\$ 293,106</u>

Note 5. Related Party Transactions

Magistrate Brad Marshall's son owns Marshall's Tractor Parts, located in Cynthiana, Kentucky. The fiscal court occasionally purchases tractor parts from them. The total spent during fiscal year 2010 was \$2,657. The county also purchased \$4,405 in electrical parts and materials from Florence Electric for a recreation park project. Florence Electric is owned by Magistrate Dwayne Florence.

Note 6. Commitments and Contingencies

A. Cynthiana/Harrison County Public Properties Corporation

In June 1995, the Harrison County Fiscal Court (County) and the City of Cynthiana (City) formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in the past six (6) years. Should the Corporation default on the loan at Farmers National Bank, the County could be responsible for one-half of the outstanding liabilities. As of June 30, 2010, the outstanding principal balance was \$376,823.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Commitments and Contingencies (Continued)

B. Cynthiana/Harrison County Industrial Authority

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2010, the outstanding principal balance on the loan was \$614,651. In the fiscal year ended June 30, 2010 the county paid the Authority \$51,150 for their share of the operating expenses of the Authority.

C. Cynthiana/Berry/Harrison County E-911

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for "the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky." An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, "The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center." The assessment fee during the year of audit was \$4.00 per month for each telephone line within the City and County, and during the fiscal year ended June 30, 2010; the County contributed \$45,742 toward the operating expenses of the E-911 program and the City contributed \$45,742.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2008 was \$309,033, FY 2009 was \$283,160, and FY 2010 was \$334,059.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

Harrison County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2010, Harrison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 10. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major construction or reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through fiscal year June 30, 2003. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

Note 11. Subsequent Event

In July 2010, the Harrison County Public Properties Corporation issued First Mortgage Revenue Refunding Bonds in the amount of \$4,520,000. The proceeds of the bond issuance are to be used to retire the outstanding portion of bonds from the First Mortgage Revenue Bonds issued in 2001 (Note 4. A.).

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HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,464,000	\$ 3,464,000	\$ 3,690,862	\$ 226,862
In Lieu Tax Payments	4,100	4,100	3,298	(802)
Excess Fees	25,000	25,000	39,149	14,149
Licenses and Permits	17,000	17,000	11,412	(5,588)
Intergovernmental Revenue	1,895,348	1,895,348	354,754	(1,540,594)
Miscellaneous	241,000	241,000	103,819	(137,181)
Interest	28,000	28,000	24,742	(3,258)
Total Revenues	5,674,448	5,674,448	4,228,036	(1,446,412)
EXPENDITURES				
General Government	2,020,786	2,275,786	1,458,757	817,029
Protection to Persons and Property	338,915	308,815	285,467	23,348
General Health and Sanitation	343,583	380,424	296,362	84,062
Social Services	125,289	115,589	86,635	28,954
Recreation and Culture	1,139,930	1,140,330	183,866	956,464
Airports	10,000	10,000	10,000	
Bus Services	12,000	12,000	9,718	2,282
Other Transportation Facilities and Services	3,000	3,000	3,000	
Capital Projects	145,000	115,200	76,556	38,644
Administration	943,406	711,765	623,648	88,117
Total Expenditures	5,081,909	5,072,909	3,034,009	2,038,900
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	592,539	601,539	1,194,027	592,488
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			188,648	188,648
Transfers To Other Funds	(2,050,561)	(2,050,561)	(1,720,763)	329,798
Total Other Financing Sources (Uses)	(2,050,561)	(2,050,561)	(1,532,115)	518,446
Net Changes in Fund Balance	(1,458,022)	(1,449,022)	(338,088)	1,110,934
Fund Balance - Beginning	1,458,022	1,458,022	1,578,022	120,000
Fund Balance - Ending	\$ 0	\$ 9,000	\$ 1,239,934	\$ 1,230,934

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 997,095	\$ 997,095	\$ 1,163,606	\$ 166,511
Miscellaneous	26,000	26,000	229,747	203,747
Interest	1,500	1,500	1,748	248
Total Revenues	<u>1,024,595</u>	<u>1,024,595</u>	<u>1,395,101</u>	<u>370,506</u>
EXPENDITURES				
Roads	2,142,787	2,200,787	1,970,349	230,438
Debt Service	7,939	7,939	7,939	
Capital Projects	120,000	120,000	118,750	1,250
Administration	417,878	359,878	276,633	83,245
Total Expenditures	<u>2,688,604</u>	<u>2,688,604</u>	<u>2,373,671</u>	<u>314,933</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,664,009)</u>	<u>(1,664,009)</u>	<u>(978,570)</u>	<u>685,439</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,524,009	1,524,009	1,291,283	(232,726)
Transfers To Other Funds			(165,901)	(165,901)
Total Other Financing Sources (Uses)	<u>1,524,009</u>	<u>1,524,009</u>	<u>1,125,382</u>	<u>(398,627)</u>
Net Changes in Fund Balance	(140,000)	(140,000)	146,812	286,812
Fund Balance - Beginning	<u>140,000</u>	<u>140,000</u>	<u>51,533</u>	<u>(88,467)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 198,345</u>	<u>\$ 198,345</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 95,400	\$ 95,400	\$ 99,309	\$ 3,909
Charges for Services	4,200	4,200	2,252	(1,948)
Miscellaneous	1,000	1,000	2,667	1,667
Total Revenues	100,600	100,600	104,228	3,628
EXPENDITURES				
Protection to Persons and Property	572,410	572,410	485,363	87,047
Administration	44,000	44,000	37,092	6,908
Total Expenditures	616,410	616,410	522,455	93,955
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(515,810)	(515,810)	(418,227)	97,583
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	480,810	480,810	422,000	(58,810)
Total Other Financing Sources (Uses)	480,810	480,810	422,000	(58,810)
Net Changes in Fund Balance	(35,000)	(35,000)	3,773	38,773
Fund Balance - Beginning	35,000	35,000	14,310	(20,690)
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,083	\$ 18,083

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 500	\$ 500	\$	\$ (500)
Total Revenues	500	500		(500)
EXPENDITURES				
Capital Projects	516	516		516
Total Expenditures	516	516		516
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(16)	(16)		16
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(16)	(16)
Total Other Financing Sources (Uses)			(16)	(16)
Net Changes in Fund Balances	(16)	(16)	(16)	
Fund Balances - Beginning	16	16	16	
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 384,410	\$ 384,410	\$ 95,973	\$ (288,437)
Total Revenues	384,410	384,410	95,973	(288,437)
EXPENDITURES				
General Government	99,410	99,410		99,410
Protection to Persons and Property	75,000	75,000	27,842	47,158
Recreation and Culture	200,000	200,000		200,000
Administration	15,000	15,000		15,000
Total Expenditures	389,410	389,410	27,842	361,568
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(5,000)	(5,000)	68,131	73,131
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			27,321	27,321
Transfers To Other Funds			(94,326)	(94,326)
Total Other Financing Sources (Uses)			(67,005)	(67,005)
Net Changes in Fund Balances	(5,000)	(5,000)	1,126	6,126
Fund Balances - Beginning	5,000	5,000	21,067	16,067
Fund Balances - Ending	\$ 0	\$ 0	\$ 22,193	\$ 22,193

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 300,000	\$ 300,000	\$ 283,240	\$ (16,760)
Intergovernmental Revenue	90,000	90,000	124,369	34,369
Miscellaneous	46,742	46,742	46,742	
Interest	1,500	1,500	1,598	98
Total Revenues	438,242	438,242	455,949	17,707
EXPENDITURES				
Protection to Persons and Property	614,984	614,984	555,324	59,660
Administration	5,000	5,000		5,000
Total Expenditures	619,984	619,984	555,324	64,660
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(181,742)	(181,742)	(99,375)	82,367
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	45,742	45,742	45,742	
Total Other Financing Sources (Uses)	45,742	45,742	45,742	
Net Changes in Fund Balances	(136,000)	(136,000)	(53,633)	82,367
Fund Balances - Beginning	136,000	136,000	181,398	45,398
Fund Balances - Ending	\$ 0	\$ 0	\$ 127,765	\$ 127,765

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

SHROPSHIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 2,050	\$ 2,050	\$ 2,670	\$ 620
Intergovernmental Revenue	1,000	1,000		(1,000)
Charges for Services	9,000	9,000	24,342	15,342
Miscellaneous	1,000	1,000	1,422	422
Interest	8,350	8,350	5,377	(2,973)
Total Revenues	<u>21,400</u>	<u>21,400</u>	<u>33,811</u>	<u>12,411</u>
EXPENDITURES				
General Health and Sanitation	<u>36,700</u>	<u>45,700</u>	<u>45,216</u>	<u>484</u>
Total Expenditures	<u>36,700</u>	<u>45,700</u>	<u>45,216</u>	<u>484</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(15,300)</u>	<u>(24,300)</u>	<u>(11,405)</u>	<u>12,895</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			6,012	6,012
Total Other Financing Sources (Uses)			<u>6,012</u>	<u>6,012</u>
Net Changes in Fund Balances	(15,300)	(24,300)	(5,393)	18,907
Fund Balances - Beginning	<u>15,300</u>	<u>15,300</u>	<u>237,690</u>	<u>222,390</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (9,000)</u>	<u>\$ 232,297</u>	<u>\$ 241,297</u>

HARRISON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. General Fund Reconciliation

Total Revenues - Budgetary Basis	\$ 4,228,036
Add: Contribution - Community Action Council	13,269
Add: Contribution - Senior Citizens Center	<u>4,244</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 4,245,549</u></u>
 Total Expenditures - Budgetary Basis	 \$ 3,034,009
Add: Debt Service - Community Service Building Renovation	13,269
Add: Debt Service - Senior Citizens Center Vehicle	<u>4,244</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 3,051,522</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Alexander Barnett, Harrison County Judge/Executive
Members of the Harrison County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities and each major fund of Harrison County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 21, 2011. Harrison County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harrison County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Harrison County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 21, 2011

